



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-2783/P1

TKK:wlj:ff

in 8/28/07

→ inserts

→ d.note

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

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1 AN ACT *to repeal* 20.115 (1) (d), 20.115 (1) (k), 20.505 (8) (hm) 2m., 93.46 (2) (e),
2 93.47, 93.75, 234.66, 560.038, 560.039, 560.10, 560.14 (3m), 560.17 (5r), 560.17
3 (6m) (b), 560.607 (2), 560.80 (3m), 560.80 (5m), 560.81 (4), 560.837, 560.91,
4 560.915 (2) and (3), 560.915 (4) (b) (intro.), 560.925 and 560.935; *to renumber*
5 560.01 (2) (a); *to renumber and amend* 560.17 (6m) (a), 560.915 (4) (a),
6 560.915 (4) (b) 1. and 560.915 (4) (b) 2.; *to amend* 20.002 (11) (d) 3., 20.115 (4)
7 (c), 20.115 (4) (r), 20.143 (1) (fm), 20.143 (1) (ig), 20.143 (1) (im), 20.143 (1) (kj),
8 20.143 (1) (x), 25.17 (1) (hm), 25.17 (70) (intro.), 25.17 (70) (a), 234.03 (2m),
9 234.265 (2), 234.40 (4), 234.50 (4), 234.60 (2), 234.61 (1), 234.63 (2) (b), 234.65
10 (1) (b), 560.01 (2) (a) (title), 560.03 (15) (intro.), 560.03 (26), 560.07 (9), 560.08
11 (2) (m), 560.081 (2) (i), 560.11 (1) (b), 560.13 (7), 560.137 (title), 560.137 (2) (a)
12 2., 560.137 (2) (bm) (intro.), 560.137 (2) (bm) 2., 560.137 (2) (c), 560.137 (2) (d),
13 560.137 (2) (e), 560.155 (4), 560.17 (7) (a), 560.205 (3) (c) (intro.), 560.38, 560.42
14 (5), 560.52 (1) (intro.), 560.55, 560.80 (5), 560.80 (11), 560.84 (1) (f), 560.84 (1)
15 (j), 560.85 (3) (b), 560.905 (2) and 560.915 (4) (c); and *to create* 560.01 (2) (a)

establishing comprehensive annual reporting requirement;
and requiring the development of programmatic goals and accountability
measures for economic development grants and loans
and consolidation

- 1 2. of the statutes; **relating to:** cleanup of department of commerce economic
- 2 development programs.

gaming economic diversification grants and loans

Analysis by the Legislative Reference Bureau

Pursuant to the recommendations of the Legislative Audit Bureau in Report 06-9, "A Review of State Economic Development Programs," this bill eliminates the following unfunded or inactive economic development programs administered by the Department of Commerce (Commerce): minority nonprofit corporation grants; minority business incubator grants; industrial building construction loan fund; gaming economic development loans; community-based economic development revolving loan fund grants; low-income rural municipality economic development loans; small business innovative research program grants; minority business development finance and education training grants; and technology-based economic development assistance, seed-capital fund, information exchange clearinghouse, and manufacturing assessment center. In addition, this bill eliminates the sustainable agriculture grant program and the payments to ethanol producers program administered by the Department of Agriculture, Trade and Consumer Protection. Finally, this bill eliminates the beginning farmer program administered by the Wisconsin Housing and Economic Development Authority.

Under current law, Commerce must do all of the following:

1. Submit a biennial report to the legislature on the performance and operations of Commerce in the preceding biennium.
2. Periodically prepare an inventory of existing entrepreneurial assistance programs in Wisconsin.
3. Prepare a report documenting the results of an annual survey of Wisconsin businesses concerning the formation of businesses and obstacles to the formation of businesses in Wisconsin.
4. Prepare employment impact estimates related to industrial development revenue bonding.
5. Submit a report to the State of Wisconsin Investment Board describing the types of investments in businesses in Wisconsin that will have the greatest likelihood of enhancing economic development in Wisconsin.
6. Submit a report to both the Department of Natural Resources and the federal Environmental Protection Agency concerning the compliance of the state small business stationary source technical and environmental compliance assistance program with certain federal laws.

In addition, under current law, Commerce is required to submit reports to the legislature incorporating the following information concerning economic development programs administered by the department: job gains due to funds provided to Forward Wisconsin, Inc.; the effects of the State Main Street Program on business revitalization in commercial areas having historic significance; the effectiveness of the Brownfields Grant Program; the operation and effectiveness of the Business Employees' Skills Training Grant Program; the total amount of tax

Makes a number of changes to the state's economic development programs

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Cleanup and consolidation

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* credits claimed under the Early State Seed Investment Credit and Angel Investment Credit programs; certified capital investments and qualified investments made under and the number of jobs created as a result of the Certified Capital Companies program; a description of the activities of the Business Development Assistance Center; a description of Commerce's activities and the results of Commerce's activities coordinating entrepreneurial assistance programs and intermediary assistance programs offered by state agencies; the Commerce's technology-based economic development activities; and a report on the disposition and repayment of moneys distributed under the seed capital fund. e ✓

The economic development reporting requirements under current law are not uniform: some reports are required annually, others biennially or periodically; some reports are due in January, others in March, September, October, and December.

4 This bill establishes a uniform, annual, comprehensive reporting requirement for economic development programs administered by Commerce. The comprehensive report is due to the legislature by October 1 of each year. ✓

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill. Each department and independent agency

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION ~~1~~. 20.002 (11) (d) 3. of the statutes is amended to read:

2 ✓ 20.002 (11) (d) 3. The industrial building construction loan fund under s.
3 560.10, 2005 stats. ✓

4 SECTION ~~2~~. 20.115 (1) (d) of the statutes is repealed. ✓

5 SECTION ~~3~~. 20.115 (1) (k) of the statutes is repealed. ✓

6 SECTION ~~4~~. 20.115 (4) (c) of the statutes is amended to read: ✓

7 ✓ 20.115 (4) (c) *Agricultural investment aids*. Biennially, the amounts in the
8 schedule for agricultural research and development grants under s. 93.46 (2) and (3)
9 and sustainable agriculture grants under s. 93.47. ✓

10 SECTION ~~5~~. 20.115 (4) (r) of the statutes is amended to read: ✓

11 ✓ 20.115 (4) (r) *Agricultural investment aids, agrichemical management fund*.
12 Biennially, from the agrichemical management fund, the amounts in the schedule

Insert analysis 2

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1 for agricultural research and development grants under s. 93.46 (2) and (3) and
2 ~~sustainable agriculture grants under s. 93.47.~~ ✓

3 **SECTION 6.** 20.143 (1) (fm) of the statutes is amended to read:

4 20.143 (1) (fm) *Minority business projects; grants and loans.* Biennially, the
5 amounts in the schedule for grants under ss. 560.038, 560.039, s. 560.82 and 560.837,
6 grants and loans under s. 560.83, the grant under 1993 Wisconsin Act 110, section
7 3, and the loans under 1997 Wisconsin Act 9, section 3.

8 **SECTION 7.** 20.143 (1) (ig) of the statutes is amended to read:

9 20.143 (1) (ig) *Gaming economic development and diversification; repayments.*
10 Biennially, the amounts in the schedule for grants ~~and loans~~ under ss. s. 560.137 (2)
11 and grants and loans under s. 560.138. All moneys received in repayment of loans
12 under ss. s. 560.137 (2), 2005 stats., and s. 560.138 shall be credited to this
13 appropriation account.

14 **SECTION 8.** 20.143 (1) (im) of the statutes is amended to read:

15 20.143 (1) (im) *Minority business projects; repayments.* All moneys received in
16 repayment of grants or loans under s. 560.83 and loans under 1997 Wisconsin Act
17 9, section 3, to be used for grants and loans under ss. 560.82, and 560.83, and 560.837,
18 the grant under 2001 Wisconsin Act 16, section 9110 (7g), and the loans under 1997
19 Wisconsin Act 9, section 3.

20 **SECTION 9.** 20.143 (1) (kj) of the statutes is amended to read:

21 20.143 (1) (kj) *Gaming economic development and diversification; grants and*
22 *loans.* Biennially, the amounts in the schedule for grants ~~and loans~~ under ss. s.
23 560.137 and for grants and loans under s. 560.138, for the grants under s. 560.139
24 (1) (a) and (2), and for the grants under 2001 Wisconsin Act 16, section 9110 (2k),
25 (11pk), and (11zx). Of the amounts in the schedule, \$500,000 shall be allocated in

1 each fiscal year for the grants under s. 560.137 (3m). All moneys transferred from
2 the appropriation account under s. 20.505 (8) (hm) 6j. shall be credited to this
3 appropriation account. Notwithstanding s. 20.001 (3) (b), the unencumbered
4 balance on June 30 of each odd-numbered year shall revert to the appropriation
5 account under s. 20.505 (8) (hm).

6 **SECTION 10.** 20.143 (1) (x) of the statutes is amended to read:

7 ✓ 20.143 (1) (x) *Industrial building construction loan fund*. All moneys received
8 in the industrial building construction loan fund, for the purpose of s. 560.10, 2005
9 stats. ✓

10 **SECTION 11.** 20.505 (8) (hm) 2m. of the statutes is repealed.

11 **SECTION 12.** 25.17 (1) (hm) of the statutes is amended to read:

12 ✓ 25.17 (1) (hm) Industrial building construction loan fund (s. 560.10, 2005
13 stats.);

14 **SECTION 13.** 25.17 (70) (intro.) of the statutes is amended to read:

15 ✓ 25.17 (70) (intro.) No later than ~~June 30~~ March 30 of every ~~odd-numbered~~ ✓ year,
16 after receiving a report from the department of commerce the information required
17 under s. 560.08 (2) (m), and in consultation with the department of commerce, submit
18 to the governor and to the presiding officer of each house of the legislature a plan for
19 making investments in this state. The purpose of the plan is to encourage the board
20 to make the maximum amount of investments in this state, subject to s. 25.15 and
21 consistent with the statutory purpose of each trust or fund managed by the board.
22 The plan shall discuss potential investments to be made during the first to 5th fiscal
23 years following submittal, and shall include, but not be limited to, the following:

24 **SECTION 14.** 25.17 (70) (a) of the statutes is amended to read:

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1 ✓ 25.17 (70) (a) A report from the department of commerce containing the
2 information required under s. 560.08 (2) (m) ~~describing the types of investments in~~
3 ~~businesses in this state which will have the greatest likelihood of enhancing~~
4 ~~economic development in this state.~~

5 SECTION 15. 93.46 (2) (e) of the statutes is repealed.

6 SECTION 16. 93.47 of the statutes is repealed.

7 SECTION 17. 93.75 of the statutes is repealed.

8 SECTION 18. 234.03 (2m) of the statutes is amended to read:

9 ✓ 234.03 (2m) To issue notes and bonds in accordance with ss. 234.08, 234.40,
10 234.50, 234.60, 234.61, 234.626, 234.63, and 234.65, and 234.66.

11 SECTION 19. 234.265 (2) of the statutes is amended to read:

12 ✓ 234.265 (2) Records or portions of records consisting of personal or financial
13 information provided by a person seeking a grant or loan under s. 234.04, 234.08,
14 234.49, 234.59, 234.61, 234.63, 234.65, 234.67, 234.83, 234.84, 234.90, 234.905,
15 234.907, or 234.91, seeking a loan under ss. 234.621 to 234.626, seeking financial
16 assistance under s. 234.66, 2005 stats., seeking investment of funds under s. 234.03
17 (18m), or in which the authority has invested funds under s. 234.03 (18m), unless the
18 person consents to disclosure of the information.

19 SECTION 20. 234.40 (4) of the statutes is amended to read:

20 ✓ 234.40 (4) The limitations established in ss. 234.18, 234.50, 234.60, 234.61,
21 234.63, and 234.65, and 234.66 are not applicable to bonds issued under the
22 authority of this section. The authority may not have outstanding at any one time
23 bonds for veterans housing loans in an aggregate principal amount exceeding
24 \$61,945,000, excluding bonds being issued to refund outstanding bonds.

25 SECTION 21. 234.50 (4) of the statutes is amended to read:

1 ✓ 234.50 (4) The limitations established in ss. 234.18, 234.40, 234.60, 234.61,
2 234.63, and 234.65, ~~and 234.66~~ are not applicable to bonds issued under the
3 authority of this section. The authority may not have outstanding at any one time
4 bonds for housing rehabilitation loans in an aggregate principal amount exceeding
5 \$100,000,000, excluding bonds being issued to refund outstanding bonds. The
6 authority shall consult with and coordinate the issuance of bonds with the building
7 commission prior to the issuance of bonds.

8 SECTION 22. 234.60 (2) of the statutes is amended to read:

9 ✓ 234.60 (2) The limitations in ss. 234.18, 234.40, 234.50, 234.61, 234.63, and
10 234.65, ~~and 234.66~~ do not apply to bonds or notes issued under this section.

11 SECTION 23. 234.61 (1) of the statutes is amended to read:

12 ✓ 234.61 (1) Upon the authorization of the department of health and family
13 services, the authority may issue bonds or notes and make loans for the financing of
14 housing projects which are residential facilities as defined in s. 46.28 (1) (d) and the
15 development costs of those housing projects, if the department of health and family
16 services has approved the residential facilities for financing under s. 46.28 (2). The
17 limitations in ss. 234.18, 234.40, 234.50, 234.60, 234.63, and 234.65, ~~and 234.66~~ do
18 not apply to bonds or notes issued under this section. The definition of "nonprofit
19 corporation" in s. 234.01 (9) does not apply to this section.

20 SECTION 24. 234.63 (2) (b) of the statutes is amended to read:

21 ✓ 234.63 (2) (b) The limits in ss. 234.18 (1) ^{plain} ss. 234.18, 234.40, 234.50, 234.60,
22 234.61, and 234.65, ~~and 234.66~~ do not apply to bonds issued under par. (a).

23 SECTION 25. 234.65 (1) (b) of the statutes is amended to read:

24 ✓ 234.65 (1) (b) The limits in ss. 234.18, 234.40, 234.50, 234.60, and 234.61, ~~and~~
25 234.66 do not apply to bonds or notes issued under this section.

1 SECTION 26. 234.66 of the statutes is repealed.

2 SECTION 27. 560.01 (2) (a) (title) of the statutes is amended to read:

3 560.01 (2) (a) (title) *State economic policy and comprehensive economic*
4 *development report.*

5 SECTION 28. 560.01 (2) (a) of the statutes is renumbered 560.01 (2) (a) 1.

6 SECTION 29. 560.01 (2) (a) 2. of the statutes is created to read:

7 560.01 (2) (a) 2. Annually, no later than October 1, the department shall submit
8 to the chief clerk of each house of the legislature for distribution to the legislature
9 under s. 13.172 (2) a comprehensive report assessing economic development
10 programs administered by the department. The report shall include a summary of
11 each program, quantifiable performance measures directly related to the purpose of
12 the program, a comparison of expected and actual program outcomes, a summary of
13 program costs and benefits, and any recommended changes to the program.

14 SECTION 30. 560.03 (15) (intro.) of the statutes is amended to read:

15 560.03 (15) (intro.) Annually, submit Include in the report required under s.
16 560.01 (2) (a) 2. a summary of the employment impact estimates required under s.
17 560.034 (2) and a report ~~to the chief clerk of each house of the legislature, for~~
18 ~~distribution to the legislature under s. 13.172 (2),~~ analyzing the use of industrial
19 revenue bond financing under s. 66.1103 and accurately reporting the benefits of that
20 use, including the effect on employment in this state including, but not limited to:

21 SECTION 31. 560.03 (26) of the statutes is amended to read:

22 560.03 (26) In cooperation with the department of financial institutions and
23 the board of regents of the University of Wisconsin System, annually conduct and
24 publish include in the report required under s. 560.01 (2) (a) 2. the results of a study
25 of Wisconsin businesses to determine new business formation trends and identify

1 obstacles faced by new Wisconsin businesses and areas where changes in
2 governmental policy may satisfy the needs of new Wisconsin businesses. As part of
3 the study, the department of commerce shall conduct a survey of Wisconsin
4 businesses.

5 SECTION ~~32~~. 560.038 of the statutes is repealed.

6 SECTION ~~33~~. 560.039 of the statutes is repealed.

7 SECTION ~~34~~. 560.07 (9) of the statutes is amended to read:

8 ✓ 560.07 (9) On or before July 1, 1985, and every July 1 thereafter, submit to the
9 chief clerk of each house of the legislature, for distribution to the appropriate
10 standing committees under s. 13.172 (3), a Include in the report stating required
11 under s. 560.01 (2) (a) 2, information regarding the net jobs gain due to the funds
12 provided to Forward Wisconsin, Inc., under s. 20.143 (1) (bm).

13 SECTION ~~35~~. 560.08 (2) (m) of the statutes is amended to read:

14 ✓ 560.08 (2) (m) No later than January 1 of each odd-numbered year, submit to
15 the investment board a Include in the report describing required under s. 560.01 (2)
16 (a) 2, a description of the types of investments in businesses in this state which will
17 have the greatest likelihood of enhancing economic development in this state. The
18 department shall submit to the investment board a copy of the information required
19 under this paragraph.

20 SECTION ~~36~~. 560.081 (2) (i) of the statutes is amended to read:

21 ✓ 560.081 (2) (i) As part of the report required under s. 15.04 (1) (d) 560.01 (2)
22 (a) 2, include a report on the effects of the state main street program.

23 SECTION ~~37~~. 560.10 of the statutes is repealed.

24 SECTION ~~38~~. 560.11 (1) (b) of the statutes is amended to read:

1 ✓ 560.11 (1) (b) Periodically Include in the report to the department of natural
2 resources and to the administrator of the federal environmental protection agency
3 ✓ required under s. 560.01 (2) (a) 2. information concerning the compliance of the state
4 small business stationary source technical and environmental compliance
5 assistance program with the federal paperwork reduction act, 44 USC 3501 to 3520,
6 the federal regulatory flexibility act, 5 USC 601 to 612, and the federal equal access
7 to justice act, 5 USC 504. ✓ The department shall submit to the department of natural
8 resources and to the administrator of the federal environmental protection agency
9 a copy of the information required under this paragraph. ✓

10 SECTION 39. 560.13 (7) of the statutes is amended to read:

11 ✓ 560.13 (7) ~~On or before December 31, 1998, and annually thereafter, the~~ The
12 department shall ~~submit a~~ include in the report on required under s. 560.01 (2) (a)
13 2. an evaluation of the effectiveness of the program under this section to the
14 legislature under s. 13.172 (2) and. The department shall provide to the governor
15 and the department of administration a copy of the evaluation required under this
16 subsection.

17 SECTION 40. 560.137 (title) of the statutes is amended to read:

18 **560.137 (title) Gaming economic development grants and loans.**

19 SECTION 41. 560.137 (2) (a) 2. of the statutes is amended to read:

20 560.137 (2) (a) 2. Make a grant ~~or loan~~ that does not exceed \$100,000 to a
21 qualified business for fixed asset financing.

22 SECTION 42. 560.137 (2) (bm) (intro.) of the statutes is amended to read:

23 560.137 (2) (bm) (intro.) The department may not make a grant ~~or loan~~ to a
24 qualified business under this subsection unless the department determines all of the
25 following:

Insert 10-17

1 **SECTION 43.** 560.137 (2) (bm) 2. of the statutes is amended to read:

2 560.137 (2) (bm) 2. That the qualified business has a legitimate need for the
3 grant ~~or loan~~ to improve the profitability of the business.

4 **SECTION 44.** 560.137 (2) (c) of the statutes is amended to read:

5 560.137 (2) (c) As a condition of approval of a grant ~~or loan~~ under this
6 subsection, the department shall require that the qualified business provide
7 matching funds for at least 25% of the cost of the project. The department may waive
8 the requirement under this paragraph if the department determines that the
9 qualified business is subject to extreme financial hardship.

10 **SECTION 45.** 560.137 (2) (d) of the statutes is amended to read:

11 560.137 (2) (d) The department may not award a grant ~~or loan~~ under this
12 subsection to a qualified business for any purpose that is related to tourism unless
13 the department of tourism concurs in the award.

14 **SECTION 46.** 560.137 (2) (e) of the statutes is amended to read:

15 560.137 (2) (e) 1. The department shall deposit into the appropriation account
16 under s. 20.143 (1) (ig) all moneys received in repayment of loans made under this
17 subsection s. 560.137 (2), 2005 stats.

18 2. The department may forgive all or any part of a loan made under this
19 subsection s. 560.137 (2), 2005 stats.

20 **SECTION 47.** 560.14 (3m) of the statutes is repealed.

21 **SECTION 48.** 560.155 (4) of the statutes is amended to read:

22 ✓ 560.155 (4) ~~No later than January 31, 2002, the~~ ✓ The department shall ✓ submit
23 to the legislature under s. 13.172 (2) a report on include in the report required under
24 s. 560.01 (2) (a) 2. 15.04(1)(o) an evaluation of the operation and effectiveness of the grant
25 program under this section.

1 SECTION ~~49~~. 560.17 (5r) of the statutes is repealed.

2 SECTION ~~50~~. 560.17 (6m) (a) of the statutes is renumbered 560.17 (6m) and
3 amended to read:

4 ~~✓~~ 560.17 (6m) ~~Except as provided in par. (b), in order to~~ To receive a grant or loan
5 under this section a person or business shall contribute cash, from a source other
6 than the state, in an amount that equals at least 25% of the total cost of the project.

7 SECTION ~~51~~. 560.17 (6m) (b) of the statutes is repealed.

8 SECTION ~~52~~. 560.17 (7) (a) of the statutes is amended to read:

9 ~~✓~~ 560.17 (7) (a) Except as provided in par. (am), the department shall designate
10 staff to evaluate applications for grants or loans and assist the board under this
11 section. The board shall act on an application for a grant or loan at its next regularly
12 scheduled meeting after the department determines that the application is complete,
13 except that the board shall act on an application for a loan under sub. (5r) and advise
14 the applicant of its decision within 45 days after the department determines that the
15 application is complete.

16 SECTION ~~53~~. 560.205 (3) (c) (intro.) of the statutes is amended to read:

17 ~~✓~~ 560.205 (3) (c) *Annual report.* (intro.) ~~Annually, no later than September 15,~~
18 ~~the~~ The department shall ~~submit a~~ include in the report to the chief clerk of each
19 house of the legislature for distribution to the legislature under s. 13.172 (2), listing
20 required under s. 560.01 (2) (a) 2. all of the following information:

21 SECTION ~~54~~. 560.38 of the statutes is amended to read:

22 ~~✓~~ 560.38 **Department evaluation of program certified capital**
23 **investments.** ~~Beginning on March 31, 2000, and on March 31 of each~~
24 ~~even-numbered year thereafter, the department shall submit a report to the~~
25 ~~legislature under s. 13.172 (2) regarding the program under this subchapter.~~ The

↓15.04(1)(0)↓

1 department shall include in the report shall include required under s. 560.01 (2) (a)

2 2 all of the following:

3 (1) The total amount of certified capital investments made during the previous
4 2 calendar years year, as well as the total amount of certified capital investments
5 made since July 1, 1999.

6 (2) Statistical information on the qualified investments made by certified
7 capital companies during the previous 2 calendar years year.

8 (3) The department's assessment of the number of jobs created in this state
9 during the previous 2 calendar years year as a result of the certified capital company
10 program under this subchapter.

11 ~~SECTION 55.~~ 560.42 (5) of the statutes is amended to read:

12 560.42 (5) REPORT. Beginning in 2003 and biennially thereafter, the Annually,
13 the center shall prepare a report describing its activities under this section since the
14 period covered in the previous report. The department shall submit the report with
15 the report required under s. 560.55. The report may include recommendations for
16 the legislature, governor, public records board, and regulatory agencies on
17 simplifying the process of applying for permits, of reviewing and making
18 determinations on permit applications, and of issuing permits, and shall include
19 information on the number of requests for assistance, the types of assistance
20 provided, and the center's success in resolving conflicts in permit application and
21 review processes. The department shall include the information required under this
22 subsection in the report required under s. 560.01 (2) (a) 2.

↓15.04(1)(0)↓

23 ~~SECTION 56.~~ 560.52 (1) (intro.) of the statutes is amended to read:

24 560.52 (1) INVENTORY. (intro.) The department shall prepare and periodically,
25 revise, and include in the report required under s. 560.01 (2) (a) 2, an inventory of

↓15.04(1)(0)↓

Insert 13-23

1 existing entrepreneurial assistance programs offered in this state. In preparing the
2 inventory, the department may do any of the following:

3 **SECTION 57.** 560.55 of the statutes is amended to read:

4 **560.55 Report.** Beginning on October 15, 2003, and no later than October 15
5 of each odd-numbered year thereafter, the The department shall submit to include
6 in the governor and to the chief clerk of each house of the legislature, for distribution
7 to the legislature under s. 13.172 (2), a report describing required under s. 560.01

8 (2) (a) 2. a description of the department's activities and the result of the
9 department's activities under s. 560.54 since the period covered in the previous
10 report submitted under this section. The department shall combine this report with
11 the report required under s. 560.42 (5) and may combine this report with other
12 reports published by the department, including the report under s. 15.04 (1) (d)
13 provide to the governor a copy of the information required under this section. The
14 report may include recommendations for legislative proposals to change the
15 entrepreneurial assistance programs and intermediary assistance programs.

16 **SECTION 58.** 560.607 (2) of the statutes is repealed.

17 **SECTION 59.** 560.80 (3m) of the statutes is repealed.

18 **SECTION 60.** 560.80 (5) of the statutes is amended to read:

19 560.80 (5) "Eligible recipient" means a person who is eligible to receive a grant
20 under s. 560.82 (5) (a) or 560.837 or a grant or loan under s. 560.83 (5) (a) or (b).

21 **SECTION 61.** 560.80 (5m) of the statutes is repealed.

22 **SECTION 62.** 560.80 (11) of the statutes is amended to read:

23 **560.80 (11)** "Project" means a development project, an early planning project,
24 a finance project, an education and training project or a revolving fund project.

25 **SECTION 63.** 560.81 (4) of the statutes is repealed.

1 SECTION 64. 560.837 of the statutes is repealed.

2 SECTION 65. 560.84 (1) (f) of the statutes is amended to read:

3 560.84 (1) (f) That the project meets all criteria set forth in s. 560.82, ~~or 560.83~~
4 ~~or 560.837~~ whichever is appropriate. *plain comma* *MOVE* *560.83(1) or (2)* *strike comma*

5 SECTION 66. 560.84 (1) (j) of the statutes is amended to read:

6 560.84 (1) (j) If a development project, ~~finance project, or education and~~
7 ~~training project,~~ that funds from the grant or loan will not be used to refinance
8 existing debt.

9 SECTION 67. 560.85 (3) (b) of the statutes is amended to read:

10 560.85 (3) (b) Develop procedures, with the approval of the board, to evaluate
11 applications, monitor project performance, and audit grants and loans awarded for
12 development projects under s. 560.83, *560.83(2)* projects under s. 560.835, 2001 stats., and
13 finance projects and education and training projects under s. 560.837, 2005 stats.

14 SECTION 68. 560.905 (2) of the statutes is amended to read:

15 560.905 (2) The standing committees of the senate and assembly with
16 jurisdiction over science and technology shall advise the department concerning the
17 administration of this subchapter. The department shall consider the advice of the
18 committees in carrying out the functions under this subchapter. Annually, the *15.04(1)(a)*
19 ~~department shall submit a~~ include in the report on required under s. 560.01 (2) (a)
20 2. information regarding the department's activities to the chief clerk of each house
21 of the legislature for distribution under s. 13.172 (3) under this subchapter and shall
22 request that the information required under this subsection be distributed to the
23 standing committees with jurisdiction over science and technology. *score*

24 SECTION 69. 560.91 of the statutes is repealed.

25 SECTION 70. 560.915 (2) and (3) of the statutes are repealed.

X
1 SECTION ~~71~~. 560.915 (4) (a) of the statutes is renumbered 560.915 (4) (a) (intro.)
2 and amended to read:

3 560.915 (4) (a) (intro.) ~~Prepare a biennial~~ Include in the report required under
4 s. ~~560.01~~ (2) (a) 2, information on the disposition and repayment of moneys spent
5 under sub. (2). s. 560.915 (2), 2005 stats., and request that the information required
6 under this paragraph be distributed to the standing committees with jurisdiction
7 over economic development, until the year in or after which the earlier of the
8 following occurs:

X
9 SECTION ~~72~~. 560.915 (4) (b) (intro.) of the statutes is repealed.

X
10 SECTION ~~73~~. 560.915 (4) (b) 1. of the statutes is renumbered 560.915 (4) (a) 1.
11 and amended to read:

12 560.915 (4) (a) 1. All financial assistance provided by the department under
13 sub. (2) (b) s. 560.915 (2) (b), 2005 stats., has been repaid.

X
14 SECTION ~~74~~. 560.915 (4) (b) 2. of the statutes is renumbered 560.915 (4) (a) 2.
15 and amended to read:

16 560.915 (4) (a) 2. The secretary certifies in the report that the department will
17 not provide money to any fund under sub. (2) (b) s. 560.915 (2) (b), 2005 stats.

X
18 SECTION ~~75~~. 560.915 (4) (c) of the statutes is amended to read:

19 560.915 (4) (c) Deposit all money received in repayment of financial assistance
20 under sub. (2) (b) s. 560.915 (2) (b), 2005 stats., in the general fund.

X
21 SECTION ~~76~~. 560.925 of the statutes is repealed.

X
22 SECTION ~~77~~. 560.935 of the statutes is repealed.

23 (END)

D-note

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2783/PJdn

TKK:wlf

DATE

To Senator Sullivan and Representative Jeskewitz, Joint Legislative Audit Committee Cochairs: ✓

This draft is offered in response to the Committee's instructions at the July 26, 2007 meeting of the Joint Legislative Audit Committee Working Group on Economic Development. The draft does all of the following: ✓

I. Efficiency. Makes a number of changes to economic development programs administered by the department of commerce (Commerce), including eliminating and consolidating programs. ✓

II. Accountability. Requires Commerce and all other departments and independent agencies that administer economic development grant and loan programs to establish programmatic goals for these programs, require more detailed reporting from recipients of grants and loans, and independently verify the reported data. ✓

III. Transparency. Requires Commerce and all other departments and independent agencies that administer economic development grant and loan programs to annually report to the legislature and make available to the public on the Internet the number, dollar amount, and recipient of economic development grants and loans. ✓

Please review the draft carefully to ensure that I have accomplished your intent. I have the following questions: ✓

* 1. *Employee Skills Training*. The committee directed me to direct Commerce to consolidate three employee skills training programs created by Commerce under the authority granted in s. 560.155: minority business employees skills training, rural business employees skills training, and business employees skills training. These are not separate programs under the statutes. In order to accomplish this consolidation, I withdrew authority from commerce to consider other factors in the awarding of grants under this section. Okay? ✓

2. *Brownfields*.

a. The committee directed me to consolidate the two brownfields programs administered by the Department of Natural Resources into one program. On August 6, Senator Roessler submitted an e-mail that raised some concerns about the implications of consolidating two programs with two different funding sources.

Because there is an open question about the viability of making this change, these two DNR brownfields programs were not consolidated in this draft. ✓

b. The committee directed me to consolidate two Commerce-administered brownfields programs: the community development block grant administration under s. 560.045 and the brownfields grant program under s. 560.13. ✓ These two programs also have different funding sources and serve different purposes with different eligibility criteria. For that reason, I was reluctant to integrate the language from these two sections. ✓

* I repealed s. 560.045 and folded all of the language from that section into a separate, stand-alone subsection under 560.13. However, I am not sure what this consolidation accomplishes. ✓

3. *Development and enterprise zones.* The committee directed me to follow "Option E" (Make no change) outlined in the Audit Bureau's Legislative Options document. However, the committee also instructed me to require that 2/3 of the remaining tax credits be awarded to businesses locating or expanding in economically distressed areas and to define "economically distressed". I have several questions about this instruction: ✓

a. I proceeded under the assumption that the committee wanted the 2/3 requirement to apply only to those development and enterprise zones programs that require the department to consider economic distress under current law: 1) the development zone program; 2) the enterprise development zone program; 3) the enterprise zone program; and 4) the airport development zone program. Is that a correct assumption? ✓

b. Are you comfortable with the definition of "economically distressed"? ✓

I look forward to working with you on this draft. ✓

Tracy K. Kuczenski
Legislative Attorney
Phone: (608) 266-9867
E-mail: tracy.kuczenski@legis.wisconsin.gov

Insert D-note
see next page

Insert D-note

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Insert d-note

NO# 4. Consolidation of minority business grant and loan programs. ✓

NO# The committee directed me to consolidate three minority business grant and loan programs: minority business early planning grants, minority business * development grants and loans, and minority business revolving loan fund grants and * loans. To accomplish this consolidation, the bill repeals section 560.81 (1) through * (4) and rennumbers the intro of s. 560.81 and the whole of ss. 560.82 and 560.83 into one single new section, s. 560.836. Technically, the programs are consolidated. Substantively, however, no changes are made to the eligibility or application requirements of these separate grant and loan programs or to the purposes for which the grant and loan moneys received under these programs may be spent. ✓

Does this "consolidation" accomplish the intent of either the committee or the Audit Bureau? If not, how would you like me to proceed to change the eligibility or application requirements or purposes for which the grant and loan moneys may be spent? ✓

end insert D-note

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ORDER

subsub

(B) (I)
A Changes to reporting requirements

MOVE

1 **Insert analysis 1**

into one

grant and loan program

2 This bill consolidates the following grant and loan programs, administered by
3 Commerce, for minority business development: minority business early planning
4 grants; minority business development grants and loans; and minority business
5 revolving fund grants and loans.

end Insert analysis 1

6 **Insert analysis 2**

No A

7 Department is defined under current law to mean the principal administrative
8 agency within the executive branch of the Wisconsin state government but does not
9 include independent agencies. Independent agencies under current law consist of
10 the educational communications board; the employment relations commission; the
11 elections board; the ethics board; the government accountability board; the higher
12 educational aids board; the historical society; the office of commissioner of insurance;
13 the investment board; the public defender board; the public service commission; the
14 board of regents of the University of Wisconsin System; the technical college system
15 board; and the University of Wisconsin hospitals and clinics board.

end Insert analysis 2

16 **Insert analysis 3**

17 The annual report must include information about the number of grants and loans
18 made by the department or independent agency in each year; the amount of each
19 grant and loan; the name of the recipient of each grant and loan; and the total amount
20 of grants and loans received by each recipient. Each department and independent
21 agency must collaborate with Commerce to make the reported information available
22 to the public on the Internet.

Insert analysis 3
continued

1 The bill also requires each department and independent agency to establish, in
2 consultation with Commerce, specific programmatic goals for each of the economic
3 development grant or loan ^{programs} administered by the department or independent
4 agency; quantifiable benchmarks for the program goals; and methods for evaluating
5 the projected or anticipated results of the grant or loan program. ^{Each} The department
6 or independent agency is required to independently verify the accuracy of
7 information reported by the recipient of a grant or loan.

8 ***Changes to development zones and enterprise zones.***

9 Under current law, ^{of Commerce} the department may designate a portion of the state as a
10 ~~Development Zone~~, a ~~Development Opportunity Zone~~, an ~~Enterprise Development~~
11 ~~Zone~~, an ~~Agricultural Development Zone~~, an ~~Enterprise Zone~~, an airport
12 development zone, or a ~~Technology Zone~~. ^{of Commerce} The department may also certify persons
13 who agree to undertake certain eligible activities in one of the designated zones.
14 Eligible activities include jobs creation, environmental remediation, and capital
15 investment. Persons who obtain certification are then eligible for tax benefits.

16 The bill requires that two-thirds of the tax benefits remaining under the
17 following programs be made available only to persons who undertake eligible
18 activities in an economically distressed area: 1) development zone program; 2)
19 enterprise development zone program; 3) enterprise zone program; and 4) airport
20 development zone program.

21 The area has an unemployment rate greater than or equal to 5.6 percent.

22 (b) Greater than or equal to 9.0 percent of the population in the area

23 The bill defines an economically distressed area as an area having the following
24 characteristics:

- 25 1. An unemployment rate greater than 5.6%.

Insert analysis 3
continued

2. Greater than 9% of the population has family income below the federal poverty line.

Insert 3-1

SECTION 1. 15.04 (1) (n) of the statutes is created to read:

15.04 (1) (n) *Programmatic goals for economic development grants and loans.*

Establish, in consultation with the department of commerce, clear and measurable goals for each economic development grant or loan program administered by the department or independent agency, including all of the following:

1. Specific goals for the program that are tied to statutory policy objectives.

2. At minimum, one quantifiable benchmark for each program goal described

in subd. 1.

3. A requirement that each contract with a recipient of a grant or loan under the program specify the frequency and format of reports to be submitted to the department or independent agency and the performance measures to be included in the reports.

4. A method for evaluating the projected or anticipated results of the grant or loan program with actual outcomes as determined by evaluating the information described in subds. 1. to 3.

5. A requirement that the department or independent agency annually and independently verify, from a sample of grants and loans, the accuracy of the information reported under subd. 3.

SECTION 2. 15.04 (1) (o) of the statutes is created to read:

15.04 (1) (o) *Economic development assistance reporting.* Annually, no later than October 1, submit to the chief clerk of each house of the legislature for distribution to the legislature under s. 13.172 (2) a comprehensive report assessing

economic development programs administered by the department or independent agency. The department or independent agency shall collaborate with the department of commerce to make readily accessible to the public on an Internet-based system the information required under this paragraph. The report shall include all of the following information:

1. A summary of each program. ✓ ^{description}
2. Quantifiable performance measures directly related to the purpose of the program. ✓
3. A comparison of expected and actual program outcomes. ✓
4. The number of grants made under the program in the previous year. ✓
5. The number of loans made under the program in the previous year. ✓
6. The amount of each grant and loan made under subdivisions 4. and 5. ✓
7. The recipient of each grant or loan made under subdivisions 4. and 5. ✓
8. The ^{sum} ~~total~~ amount of grants and loans ^{all} ~~received~~ by each recipient. ^{awarded to and}
9. Any recommended changes to the program. ✓

Insert 4-3

SECTION 3. 20.143 (1) (fm) of the statutes is amended to read:

✓ 20.143 (1) (fm) *Minority business projects; grants and loans.* Biennially, the amounts in the schedule for grants under ss. 560.038, 560.039, 560.82 and 560.837 s. ~~560.81 (1)~~ ^{560.836 (1)}, grants and loans under s. 560.83 ~~560.81 (2)~~ ^{560.836 (2)}, the grant under 1993 Wisconsin Act 110, section 3, and the loans under 1997 Wisconsin Act 9, section 3.

History: 1979 c. 361; 1981 c. 20, 21, 349; 1983 a. 27, 83, 192, 381; 1985 a. 29 ss. 169 to 204, 3202 (14); 1985 a. 120, 332, 334; 1987 a. 27, 109, 317, 318, 399, 403; 1989 a. 31, 185, 237, 317, 325, 335, 336, 342, 359; 1991 a. 89, 259, 261, 269, 315; 1993 a. 5, 16, 75, 110, 232, 437; 1995 a. 27 ss. 483, 505 to 517, 608s, 609g, 609j, 964, 965, 977, 987, 988, 990 to 993, 1080b, 1085b, 1086b, 9116 (5); 1995 a. 116, 119, 216, 227; 1997 a. 9, 27, 35, 215, 237, 252, 310; 1999 a. 9, 84, 106, 185, 186; 2001 a. 16, 109; 2003 a. 33 ss. 292c to 297m, 593 to 600, 602 to 604; 2003 a. 255, 256; 2005 a. 25 ss. 150m to 156t, 331; 2005 a. 45, 358.

SECTION 4. 20.143 (1) (ig) of the statutes is amended to read:

↓ insert 4-3 continued

✓ 20.143 (1) (ig) *Gaming economic development and diversification; repayments.*
Biennially, the amounts in the schedule for grants and loans under ss. 560.137 (2)
and 560.138. All moneys received in repayment of loans under ~~ss. 560.137 (2), 2005~~
~~stats., and 560.138, 2005 stats.,~~ shall be credited to this appropriation account.

History: 1979 c. 361; 1981 c. 20, 21, 349; 1983 a. 27, 83, 192, 381; 1985 a. 29 ss. 169 to 204, 3202 (14); 1985 a. 120, 332, 334; 1987 a. 27, 109, 317, 318, 399, 403; 1989 a. 31, 185, 237, 317, 325, 335, 336, 342, 359; 1991 a. 39, 259, 261, 269, 315; 1993 a. 5, 16, 75, 110, 232, 437; 1995 a. 27 ss. 483, 505 to 517, 608s, 609g, 609j, 964, 965, 977, 987, 988, 990 to 993, 1080b, 1085b, 1086b, 9116 (5); 1995 a. 116, 119, 216, 227; 1997 a. 9, 27, 35, 215, 237, 252, 310; 1999 a. 9, 84, 106, 185, 186; 2001 a. 16, 109; 2003 a. 33 ss. 292c to 297m, 593 to 600, 602 to 604; 2003 a. 255, 256; 2005 a. 25 ss. 150m to 156t, 331; 2005 a. 45, 358.

SECTION 5. 20.143 (1) (im) of the statutes is amended to read:

✓ 20.143 (1) (im) *Minority business projects; repayments.* All moneys received in
repayment of grants or loans under s. 560.83 560.81 (2) and loans under 1997
Wisconsin Act 9, section 3, to be used for grants and loans under ss. 560.82, 560.83,
and 560.837 s. 560.81, the grant under 2001 Wisconsin Act 16, section 9110 (7g), and
the loans under 1997 Wisconsin Act 9, section 3.

History: 1979 c. 361; 1981 c. 20, 21, 349; 1983 a. 27, 83, 192, 381; 1985 a. 29 ss. 169 to 204, 3202 (14); 1985 a. 120, 332, 334; 1987 a. 27, 109, 317, 318, 399, 403; 1989 a. 31, 185, 237, 317, 325, 335, 336, 342, 359; 1991 a. 39, 259, 261, 269, 315; 1993 a. 5, 16, 75, 110, 232, 437; 1995 a. 27 ss. 483, 505 to 517, 608s, 609g, 609j, 964, 965, 977, 987, 988, 990 to 993, 1080b, 1085b, 1086b, 9116 (5); 1995 a. 116, 119, 216, 227; 1997 a. 9, 27, 35, 215, 237, 252, 310; 1999 a. 9, 84, 106, 185, 186; 2001 a. 16, 109; 2003 a. 33 ss. 292c to 297m, 593 to 600, 602 to 604; 2003 a. 255, 256; 2005 a. 25 ss. 150m to 156t, 331; 2005 a. 45, 358.

SECTION 6. 20.143 (1) (kg) of the statutes is amended to read:

✓ 20.143 (1) (kg) *American Indian economic liaison and gaming grants specialist*
and program marketing. The amounts in the schedule for the American Indian
economic liaison program under s. 560.87, other than for grants under s. 560.87 (6),
for the salary and fringe benefits of, and related supplies and services for, the gaming
grants specialist for the programs under ss. 560.137 and 560.138, and for marketing
the programs under ss. 560.137 and 560.138. From this appropriation, the
department may expend in each fiscal year no more than \$100,000 for marketing the
programs under ss. 560.137 and 560.138. All moneys transferred from the
appropriation account under s. 20.505 (8) (hm) 6g. shall be credited to this
appropriation account. Notwithstanding s. 20.001 (3) (a), the unencumbered



insert 4-3 continued

balance on June 30 of each year shall revert to the appropriation account under s. 20.505 (8) (hm).

History: 1979 c. 361; 1981 c. 20, 21, 349; 1983 a. 27, 83, 192, 381; 1985 a. 29 ss. 169 to 204, 3202 (14); 1985 a. 120, 332, 334; 1987 a. 27, 109, 317, 318, 399, 403; 1989 a. 31, 185, 237, 317, 325, 335, 336, 342, 359; 1991 a. 39, 259, 261, 269, 315; 1993 a. 5, 16, 75, 110, 232, 437; 1995 a. 27 ss. 483, 505 to 517, 608s, 609g, 609j, 964, 965, 977, 987, 988, 990 to 993, 1080b, 1085b, 1086b, 9116 (5); 1995 a. 116, 119, 216, 227; 1997 a. 9, 27, 35, 215, 237, 252, 310; 1999 a. 9, 84, 106, 185, 186; 2001 a. 16, 109; 2003 a. 33 ss. 292c to 297m, 593 to 600, 602 to 604; 2003 a. 255, 256; 2005 a. 25 ss. 150m to 156t, 331; 2005 a. 45, 358.

SECTION 7. 20.143 (1) (kj) of the statutes is amended to read:

20.143 (1) (kj) *Gaming economic development and diversification; grants and loans.* Biennially, the amounts in the schedule for ~~grants and loans under ss. 560.137 and 560.138~~, for the grants under s. 560.139 (1) (a) and (2), and for the grants under 2001 Wisconsin Act 16, section 9110 (2k), (11pk), and (11zx). ~~Of the amounts in the schedule, \$500,000 shall be allocated in each fiscal year for the grants under s. 560.137 (3m).~~ All moneys transferred from the appropriation account under s. 20.505 (8) (hm) 6j. shall be credited to this appropriation account. Notwithstanding s. 20.001 (3) (b), the unencumbered balance on June 30 of each odd-numbered year shall revert to the appropriation account under s. 20.505 (8) (hm).

end of insert 4-3

History: 1979 c. 361; 1981 c. 20, 21, 349; 1983 a. 27, 83, 192, 381; 1985 a. 29 ss. 169 to 204, 3202 (14); 1985 a. 120, 332, 334; 1987 a. 27, 109, 317, 318, 399, 403; 1989 a. 31, 185, 237, 317, 325, 335, 336, 342, 359; 1991 a. 39, 259, 261, 269, 315; 1993 a. 5, 16, 75, 110, 232, 437; 1995 a. 27 ss. 483, 505 to 517, 608s, 609g, 609j, 964, 965, 977, 987, 988, 990 to 993, 1080b, 1085b, 1086b, 9116 (5); 1995 a. 116, 119, 216, 227; 1997 a. 9, 27, 35, 215, 237, 252, 310; 1999 a. 9, 84, 106, 185, 186; 2001 a. 16, 109; 2003 a. 33 ss. 292c to 297m, 593 to 600, 602 to 604; 2003 a. 255, 256; 2005 a. 25 ss. 150m to 156t, 331; 2005 a. 45, 358.

Insert 6-5

SECTION 8. 93.46 (2) (e) of the statutes is amended to read:

93.46 (2) (e) The department may not make a grant under this subsection or s. 93.47 that exceeds 75 percent of project costs.

end of insert 6-5

History: 1989 a. 31; 1991 a. 39; 1993 a. 403, 414; 1995 a. 27 s. 9116 (5); 2005 a. 25.

Insert 8-3

SECTION 9. 560.01 (2) (am) of the statutes is created to read:

560.01 (2) (am) *Accountability for grant and loan programs; annual reporting requirements.* 1. The department of commerce shall coordinate the development of programmatic goals and accountability measures among departments and

*↓ insert 8-3
continued*

independent agencies under s. 15.04 (1) (n) to ensure that the goals and measures are adequate, compatible, and effective.

2. The department of commerce shall collaborate with departments and independent agencies to facilitate the reporting required under s. 15.04 (1) (o).

Insert 9-5

SECTION 10. 560.031 of the statutes is amended to read:

560.031 Grants for ethanol production facilities. Notwithstanding ss. 560.135 (2), ~~560.138 (2) (a)~~, and 560.17 (3), the department may not make a grant for an ethanol production facility on which construction begins after July 27, 2005, unless a competitive bidding process is used for the construction of the ethanol production facility.

History: 2005 a. 25.

Insert 9-7

SECTION 11. 560.045 of the statutes is repealed.

Insert 10-17

SECTION 12. 560.13 (8) of the statutes is created to read:

560.13 (8) (a) To the extent allowed under federal law or regulation, the department shall give priority in the awarding of grants under housing programs to grants for projects related to the redevelopment of brownfields.

(b) The department shall expand the blight elimination and brownfield redevelopment program under subch. V of ch. Comm 108, Wis. Adm. Code, to fund redevelopment planning and projects that will result in end uses with taxable value.

SECTION 13. 560.137 of the statutes is repealed.

SECTION 14. 560.138 of the statutes is repealed.

Insert 12-1

Insert 12-1

SECTION 15. 560.155 (5) of the statutes is created to read:

560.155 (5) In deciding whether to award a grant under this section, the department may not consider any factor or characteristics of the business other than the criteria established under subs. (1) and (2).

end of insert 12-1

Insert 13-23

SECTION 16. 560.44 (2) of the statutes is amended to read:

560.44 (2) ADMINISTRATION OF BROWNFIELDS PROGRAMS. The center shall assist in administering the grant program under s. 560.13 and in administering grants and loans under s. 560.138 that are made for brownfields remediation projects.

end of insert 13-23

History: 1997 a. 27, 2001 a. 16

Insert 14-17A

SECTION 17. 560.70 (2g) of the statutes is created to read:

560.70 (2g) "Economically distressed area" means an area that satisfies all of the following:

(a) The area has an unemployment rate greater than or equal to 5.6 percent.

(b) Greater than or equal to 9.0 percent of the population in the area has family income below the poverty line established under 42 USC 9902 (2).

SECTION 18. 560.765 (2m) of the statutes is created to read:

560.765 (2m) On or after the effective date of this subsection [revisor inserts date], require that two-thirds of the tax benefits remaining on this date to be awarded to persons certified under this section are awarded to persons engaging in or proposing to engage in economic activity in an economically distressed area.

sub. 4 (3)

SECTION 19. 560.797 (1) (a) of the statutes is renumbered 560.797 (1) (ag).

SECTION 20. 560.797 (1) (ad) of the statutes is created to read:

560.797 (1) (ad) "Economically distressed area" has the meaning given in s. 560.70 (2g).

Insert 14-17A
continued

~~SECTION 21.~~ 560.797 (4) (a) of the statutes is amended to read:

✓ 560.797 (4) (a) If Subject to par. (h), if the department approves a project plan under sub. (3) and designates the area in which the person submitting the project plan conducts or intends to conduct the project as an enterprise development zone under the criteria under sub. (2), the department shall certify the person as eligible for tax benefits.

History: 1995 a. 27 ss. 6936s to 6936v, 9130 (4); 1995 a. 209, 227, 417; 1997 a. 3, 27, 39; 1999 a. 9, 32; 2005 a. 25, 259.

~~SECTION 22.~~ 560.797 (4) (h) of the statutes is created to read:

560.797 (4) (h) On or after the effective date of this paragraph [revisor inserts date], the department shall require that two-thirds of the tax benefits remaining on this date to be awarded to persons certified under this section are awarded to persons conducting a project in an economically distressed area.

~~SECTION 23.~~ 560.799 (1) (ad) of the statutes is created to read:

✓ 560.799 (1) (ad) "Economically distressed area" has the meaning given in s. 560.70 (2g).

~~SECTION 24.~~ 560.799 (5) (intro.) of the statutes is amended to read:

✓ 560.799 (5) CERTIFICATION. (intro.) The Subject to sub. (6) (e), the department may certify for tax benefits any of the following:

History: 2005 a. 361.

~~SECTION 25.~~ 560.799 (6) (e) of the statutes is created to read:

✓ 560.799 (6) (e) On or after the effective date of this paragraph [revisor inserts date], the department shall require that two-thirds of the tax benefits remaining on this date to be awarded to a business certified under this section are awarded to a business that satisfies the requirements under sub. (5) in an economically distressed area.

~~SECTION 26.~~ 560.7995 (1) (am) of the statutes is created to read:

↓ insert 14-17A continued

End of Insert 14-17a

Begin Insert 14-17c

Insert 14-17c ends here

560.7995 (1) (am) "Economically distressed area" has the meaning given in s.
560.70 (2g).

INSERT 14-17C

SECTION 27. 560.7995 (4) (b) of the statutes is renumbered 560.7995 (4) (b) 1.

SECTION 28. 560.7995 (4) (b) 2. of the statutes is created to read:

560.7995 (4) (b) 2. On or after the effective date of this subdivision [revisor
inserts date], the department shall ensure that two-thirds of the tax benefits
remaining on this date to be awarded to persons certified under this section are
awarded to persons conducting an airport development project in an economically
distressed area.

subsection

end of insert 14-17C

Insert 14-18

SECTION 29. 560.80 (4) of the statutes is amended to read:

560.80 (4) "Eligible development project costs" means costs that, in accordance
with sound business and financial practices, are appropriately incurred in
connection with a development project, but does not include entertainment expenses
or expenses incurred more than 6 months before the board approves a grant or loan
under s. 560.83 560.81 (2) (a).

of 560.836(2)
end of insert 14-18

History: 1989 a. 31, 335; 1995 a. 27; 1997 a. 27, 79; 1999 a. 9; 2001 a. 16; 2003 a. 33.

Insert 15-1a

SECTION 30. 560.80 (5) of the statutes is renumbered 560.80 (5) (intro) and
amended to read:

560.80 (5) "Eligible recipient" means (intro.) a person who is eligible to receive a grant
under s. 560.82 (5) (a) or 560.837 or a grant or loan under s. 560.83 (5) (a) or (b) any
of the following:

(Section 30) 560.80(5)(a) and (b) of the statutes are created to read:
(a) An individual who is a minority group member and a resident of this state.

plain

insert 15-1a continued

Insert 15-1a continued

Insert
Begin 15-1b

1 (b) A minority business. plain

INSERT 15-1b

History: 1989 a. 31, 335; 1995 a. 27; 1997 a. 29, 79; 1999 a. 9; 2001 a. 16; 2003 a. 33.

2 SECTION 31. 560.81 (title) of the statutes is renumbered 560.836 (title).

3 SECTION 32. 560.81 (intro.) of the statutes is renumbered 560.836 (intro.) and
4 amended to read:

5 **560.836 Minority business grants and loans.** (intro.) The department
6 shall make a grant or loan to an eligible recipient or local development corporation
7 that receives an award under this subchapter if any of the following apply: section.

History: 1989 a. 31, 335; 1997 a. 27; 1999 a. 9; 2003 a. 33.

8 SECTION 33. 560.81 (1) to (4) of the statutes are repealed.

9 SECTION 34. 560.82 (title) of the statutes is renumbered 560.836 (1) (title).

10 SECTION 35. 560.836 (1) (a) of the statutes is created to read:

11 560.836 (1) (a) In this subsection, "eligible recipient" has the meaning given in

12 s. 560.80 (5) (a).

13 SECTION 36. 560.82 (1) and (2) (intro.) of the statutes are consolidated,
renumbered 560.836 (1) (b) and amended to read:

15 560.836 (1) (b) Subject to s. 560.84, the The department may award an early
16 planning project grant under this section subsection to an eligible recipient to fund
17 an early planning project. NO 4

History: 1989 a. 31; 1991 a. 269; 1993 a. 16; 1995 a. 27, 216; 1997 a. 27; 2001 a. 16; 2003 a. 33.

18 NO 4 (2) (intro.) The department may not award a grant under sub. (1) unless the
19 eligible recipient submits shall submit an application, in a form required by the
20 department, that contains or describes all of the following:

History: 1989 a. 31; 1991 a. 269; 1993 a. 16; 1995 a. 27, 216; 1997 a. 27; 2001 a. 16; 2003 a. 33.

21 SECTION 37. 560.82 (2) (a) to (n) of the statutes are renumbered 560.836 (1) (b)

22 1. to 14. and 560.836 (1) (b) 4. and 5. as renumbered, are
amended to read:

NO 4 560.836 (1) (b) 4. The market for the product or service
described in par. (c) subd. 3.

5. Competition within the market described in par. (d) subd. 4.

Insert 15-1b continued

Insert (a)
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p. 15
of insert)

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Insert 15-1b Continued

1 SECTION 38. 560.82 (3) (intro.) of the statutes is renumbered 560.836 (1) (c)
2 (intro.) and amended to read:

3 560.836 (1) (c) (intro.) An eligible recipient who receives a grant under sub. (1)
4 this subsection or s. 560.835 (6), 2001 stats., may only use the proceeds of the grant
5 for the following purposes:

History: 1989 a. 31; 1991 a. 269; 1993 a. 16; 1995 a. 27, 216; 1997 a. 27; 2001 a. 16; 2003 a. 33.

6 SECTION 39. 560.82 (3) (a) to (c) of the statutes are renumbered 560.836 (1) (c)
7 1. to 3.

8 SECTION 40. 560.82 (4) (intro.) and (a) (intro.) of the statutes are consolidated,
9 renumbered 560.836 (1) (d) and amended to read: (a) (intro.)

10 560.836 (1) (d) (intro.) In any fiscal biennium, the The department may not do
11 any of the following: NO 4

History: 1989 a. 31; 1991 a. 269; 1993 a. 16; 1995 a. 27, 216; 1997 a. 27; 2001 a. 16; 2003 a. 33.

12 NO 4 (a) (intro.) Award award in a fiscal biennium, for grants under sub. (1), more
13 than 25% of the total of all of the following:

History: 1989 a. 31; 1991 a. 269; 1993 a. 16; 1995 a. 27, 216; 1997 a. 27; 2001 a. 16; 2003 a. 33.

14 SECTION 41. 560.82 (4) (a) 1. and 2. of the statutes are renumbered 560.836 (1)
15 (d) 1. and 2.

16 SECTION 42. 560.82 (4) (b) of the statutes is renumbered 560.836 (1) (e) and
17 amended to read:

18 560.836 (1) (e) Award, The department may not award to any one eligible
19 recipient or for any one early planning project, grants under sub. (1) this subsection
20 that total more than \$15,000.

History: 1989 a. 31; 1991 a. 269; 1993 a. 16; 1995 a. 27, 216; 1997 a. 27; 2001 a. 16; 2003 a. 33.

21 SECTION 43. 560.82 (5) (a) of the statutes is repealed.

22 SECTION 44. 560.82 (5) (b) of the statutes is renumbered 560.836 (1) (f) and
23 amended to read:



insert 15-1b Continued

Insert 15-1b continued

✓ 560.836 (1) (f) If the department awards a grant under sub. (1), the The department may contract directly with and pay grant proceeds directly to any person providing technical or management assistance to the grant recipient of a grant under this subsection.

History: 1989 a. 31; 1991 a. 269; 1993 a. 16; 1995 a. 27, 216; 1997 a. 27; 2001 a. 16; 2003 a. 33.

SECTION 45. 560.83 (title) of the statutes is renumbered 560.836 (2) (title) and

amended to read:

560.836 (2) (title) ~~Minority business~~ Business development and revolving fund grants and loans.

History: 1989 a. 31; 1997 a. 27; 1999 a. 9.

SECTION 46. 560.836 (2) (a) of the statutes is created to read:

560.836 (2) (a) In this subsection, "eligible recipient" has the meaning given in s. 560.80 (5).

SECTION 47. 560.83 (1) of the statutes is renumbered 560.836 (2) (b) and

amended to read:

560.836 (2) (b) Subject to s. 560.84, the board department may award a grant or loan under this subsection paragraph to an eligible recipient or a local development corporation that submits application materials in a form specified by the department by rule. The proceeds of a grant or loan awarded under this subsection shall only be used to fund eligible development project costs.

History: 1989 a. 31; 1997 a. 27; 1999 a. 9.

SECTION 48. 560.83 (2) (intro.) and (a) (intro.) of the statutes are consolidated, renumbered 560.836 (2) (c) and amended to read:

560.836 (2) (c) (intro.) The board department may award a grant or loan under this subsection paragraph to a local development corporation if all of the following

Insert 15-1b continued

insert 15-1b continued

1 apply: that submits application materials in a form specified by the department by
2 rule. NO 4

3 History: 1989 a. 31; 1997 a. 27; 1999 a. 9. NO 4 (a) (intro.) The local development corporation agrees to shall use the proceeds
4 of grants a grant or loans loan awarded under this section paragraph for any of the
5 following: ✓

6 History: 1989 a. 31; 1997 a. 27; 1999 a. 9. X
SECTION 49. 560.83 (2) (a) 1. and 2. of the statutes are renumbered 560.836 (2)
7 (c) 1. and 2. and amended to read:
8 ✓ 560.836 (2) (c) 1. To make grants or loans not exceeding \$50,000 each to eligible
9 recipients to fund eligible development project costs. The local development
10 corporation shall use factors similar to those described under s. 560.84 (1) (a) to (k)
11 when making a grant or loan under this paragraph.

12 History: 1989 a. 31; 1997 a. 27; 1999 a. 9.
2. To create, expand, or continue a revolving fund program that is operated by
13 the local development corporation and that benefits or will benefit minority
14 businesses or minority group members who are residents of this state. The local
15 development corporation shall use factors similar to those described under s. 560.84
16 (1) (a) to (k) when making a grant or loan under this paragraph. ✓

17 History: 1989 a. 31; 1997 a. 27; 1999 a. 9. (B) (CS) Section #. 560.83 (2) (b) of the statutes is repealed. ✓
SECTION 50. 560.83 (3) of the statutes is repealed.

18 SECTION 51. 560.83 (4) (a) of the statutes is renumbered 560.863 (2) (d) 1. and
19 amended to read:

20 ✓ 560.863 (2) (d) 1. In any fiscal biennium, the board department may not award,
21 to any one eligible recipient or local development corporation or for any one
22 development project, grants or loans under sub. (1) par. (b) that total more than
23 \$100,000 in a fiscal biennium.

History: 1989 a. 31; 1997 a. 27; 1999 a. 9.

↓ insert 15-1b continued

Insert 15-1b continued

SECTION 52. 560.83 (4) (b) of the statutes is renumbered 560.836 (2) (d) 2. and amended to read:

560.836 (2) (d) 2. In any fiscal year, the board department may not award to any one local development corporation grants or loans under sub. (2) par. (c) that total more than \$200,000.

History: 1989 a. 31; 1997 a. 27; 1999 a. 9.

SECTION 53. 560.83 (5) of the statutes is repealed.

Section 53. 560.836 (title) of the statutes is created to read:

Insert 15-2 560.836 (title) Minority business grants and loans.

SECTION 54. 560.84 (1) (b) 1. of the statutes is amended to read:

560.84 (1) (b) 1. If an early planning project under s. 560.82 560.81 (1) that the project will increase employment in this state.

History: 1989 a. 31, 335; 1993 a. 16; 1995 a. 27; 1997 a. 27; 2003 a. 33.

SECTION 55. 560.84 (1) (e) 1. of the statutes is amended to read:

560.84 (1) (e) 1. For grants funding early planning projects under s. 560.82 560.81 (1), not less than 25% of the cost of the project. Up to 50% of the contribution under this subdivision may be in the form of the in-kind services of a qualified 3rd party or qualified 3rd parties. The department shall determine what services may be used as in-kind contributions and whether a 3rd party is qualified, for purposes of this subdivision.

History: 1989 a. 31, 335; 1993 a. 16; 1995 a. 27; 1997 a. 27; 2003 a. 33.

Insert 15-9

SECTION 56. 560.85 (2) and (3) (a) of the statutes are amended to read:

560.85 (2) The board department shall develop a policy governing the repayment of grants and loans made under s. 560.83 560.81 (2). The board or department shall deposit moneys received in repayment of grants and loans under s. 560.83 560.81 (2) in the appropriation under s. 20.143 (1) (im).

History: 1989 a. 31, 335; 1993 a. 16, 75; 1997 a. 27; 2003 a. 33

insert 15-9 continued

- 1 ✓(3) (a) Develop procedures to evaluate applications and monitor project
- 2 performance for grants awarded for early planning projects under s. 560.82 560.81
- 3 (1) or s. 560.835 (6), 2001 stats.

History: 1989 a. 31, 335; 1993 a. 16, 75; 1997 a. 27; 2003 a. 33.

end of insert 15-1b

560.835(1)

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LEGISLATIVE REFERENCE BUREAU

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Insert 14-176

2

SECTION 1. 560.7995 (3) (b) of the statutes is amended to read:

3

✓ 560.7995 (3) (b) When the department designates an area as an airport
development zone, the department shall establish a limit, not to exceed \$3,000,000,
for tax benefits applicable to the airport development zone. The total tax benefits
applicable to all airport development zones may not exceed \$9,000,000. The Subject
to sub. (4) (b) 2., the department may, after 48 months from the month of any
designation under this section, evaluate the area designated as an airport
development zone and reallocate the amount of available tax benefits.

4

5

6

7

8

9

History: 2005 a. 487; s. 13.93 (1) (b).

end of insert 14-176

Economic Development Audit Working Group Meeting
July 26, 2007

- I. Welcome, introductions, and overview remarks
- II. Discussion of *Legislative Options for the Joint Legislative Audit Committee Workgroup*
- III. Review status and content of preliminary draft
- IV. Summarize drafting instructions for the Legislative Reference Bureau
- V. Schedule next meeting
- VI. Adjourn



STATE OF WISCONSIN

Legislative Audit Bureau

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Janice Mueller
State Auditor

July 19, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

At the request of members of the Joint Legislative Audit Committee's workgroup on economic development issues, we have prepared several documents for your review and consideration. They include:

- a summary of legislative options that has been revised to include specific alternatives that may be considered for each topic area—consolidation, accountability, and transparency;
- a table providing basic information on each of the seven development zone programs that can be used to compare program goals, recipients, and funding; and
- a brief summary of accountability and transparency measures for economic development programs implemented in Minnesota and Illinois, including examples of the forms and reports prepared for these purposes.

I hope you find this information helpful. If you have any questions about these materials prior to the July 26th meeting of the workgroup, please contact me or Paul Stuiber at 266-2818.

Sincerely,

Janice Mueller
State Auditor

JM/PS/bm

Enclosures

cc: Members, Economic Development Workgroup

Tax Credits Available Through Development Zone Programs¹
As of June 1, 2007
(In Millions)

Program	Eligible Recipients	Eligible Activities			Total Tax Credits Available	Tax Credits Awarded	Tax Credits Remaining
		Full-Time Jobs Created and Employees Retained	Environmental Remediation Expenses	Capital Investment			
Agricultural Development Zones	Agricultural businesses that locate or expand in the 18 counties not designated as technology zones.	•	•	•	\$5.0	\$3.2	\$1.8
Airport Development Zones	Any businesses that locate or expand in the zones.	•	•	•	9.0	None	9.0
Community Development Zones	Any businesses that locate or expand in the 22 designated zones, which are areas determined to be <u>economically distressed</u> .	•	•		38.2	31.7	6.5
Development Opportunity Zones <i>econ. development?</i>	Any businesses that locate or expand in portions of five municipalities—Beloit, Eau Claire, Kenosha, Milwaukee, and West Allis.	•	•	•	29.4	11.5	17.9
Enterprise Development Zones	Any businesses that locate or expand in designated zones, which are largely <u>economically distressed areas</u> . To date, 62 zones have been designated.	•	•		294.0	207.0	87.0
Enterprise Zones ²	Any businesses that locate or expand in ten zones. Preference is to be given to areas that are <u>economically distressed</u> in establishing the zones.				8.1	None	8.1
Technology Zones ³	Technology-based businesses that locate or expand in the 54 counties not designated as agricultural development zones.	•	•	•	40.0	18.5	21.5

¹ Source: Department of Commerce, Division of Business Development, Bureau of Finance and Compliance.

² A company is eligible for refundable tax credits if the number of personnel it employs is increased by at least 10.0 percent or the amount of capital investment is at least 10.0 percent of gross revenues during the preceding tax year.

³ Eligible activities also include property taxes paid and new employee wages.

Brownfields Grants and Related Consolidation Issues:

Background:

Presently, Commerce administers the Brownfields Blight Elimination and Redevelopment program (BEBR) which now includes both state funds (\$ 7 million per year) and an unspecified amount of federal CDBG funds for small, non-entitlement communities.

DNR administers the state's brownfields site assessment grant (\$1.7 M per year) and the Brownfields Public Facilities and Green Space grants (\$500,000 per year). DNR also administers the Land Recycling Program, which is funded from repayments to the state's Clean Water Fund. Also, DNR administers two federal brownfields site assessment grants (\$800,000) and an EPA brownfields revolving loan fund program (\$5.5 million). The DNR's Stewardship program can also be used to acquire brownfields properties.

Considerations for maintaining funds at the DNR:

- DNR provides communities and developers with a "one-stop" customer service option - the funds and the technical support for the environmental activities that the grants pay for are in the same agency, and within the same program. This leads to better customer service, as the DNR staff is knowledgeable of both the technical and financial aspects of these programs.
- Thanks to these funds, more local governments, small businesses and developers have approached the DNR for assistance. In turn, they have received more than financial assistance, but also assistance with liability and technical issues - which they may not have considered prior to approaching the DNR. This has created the atmosphere of partnership and cooperation between all parties, rarely replicated by other state regulatory programs.
- DNR has an excellent record of being responsive, efficient, cost-effective and proactive in awarding and managing its grant programs. It awards between 50 and 60 grants/loans a year. Commerce awards approximately 20 grants a year.

• both technical & financial aspects

- DNR has experience dealing with economic development projects, not just as a function of the grants that they operate, but also due to its role of approving the technical parts of a cleanup.
- DNR was competitively awarded the EPA brownfields site assessment and revolving loan funds (\$6.3 Million). It would make little sense to move the state funds to one agency and leave the federal funds at another agency.
- DNR has experience with other brownfields funding sources, such as the Environmental Remediation TIF, as one of the two state agencies that implement this financial resource. Also, DNR is the state agency responsible for working with local entities on property tax agreements at contaminated properties.
- DNR has an excellent track record of assisting communities of all sizes and locations, not just the traditionally urban, larger communities. The attached map of Wisconsin illustrates the widespread nature of the site assessment grant awards. Over one-half of the grants during last two rounds of SAG awards went to "rural" communities or counties. The smallest community was Pence, with a population of 198.

Accountability Requirements Associated with Economic Development Assistance Provided by Other States

Many states require some type of reporting on jobs or other outcomes achieved by businesses and other organizations that receive economic development assistance. In addition, some states publicly disclose this information. Two states—Minnesota and Illinois—appear to have some of the most comprehensive reporting processes.

Minnesota

Minnesota's Business Subsidies Law requires that all state and local government agencies report annually to the Department of Employment and Economic Development on assistance given to businesses. These reports must be submitted each year until the business has achieved all of its economic development goals. The form that agencies must complete is included as Attachment A, which asks for information such as:

- the industry of the recipient's facility;
- the total dollar value and type of assistance provided;
- whether any other grantors are providing assistance for the same project and the associated dollar value of such assistance;
- the public purpose for providing assistance;
- goals set for specific wages and benefits for part-time and full-time jobs created or retained; and
- any other goals established.

In addition, agencies must indicate whether the business receiving funding has achieved all goals and obligations. If a business has defaulted on its agreement, the agency must indicate the reason for default, whether the business has repaid the agency for the assistance that was provided, and the steps taken to bring the business into compliance or recoup the funds. Annually, the Department of Employment and Economic Development publishes an online Business Assistance Report that summarizes information on the amount of assistance provided and the results achieved. The 2006 report is included as Attachment B.

Illinois

Illinois' Corporate Accountability for Tax Expenditures Act, which became effective in 2004, requires recipients of economic development assistance to report annually on the progress of development and employment commitments related to their projects. These reports may be viewed online by the public and must include the following information:

- the amount and type of assistance provided;
- the industrial classification of the business;
- whether the recipient's use of state funding reduced employment at any other site;
- the number of full-time, part-time, and temporary employees at the time of application, as of the date of the report, and as stated in the economic development assistance agreement, including average annual salaries and job classifications; and
- an explanation of why any job creation goals were not met.

An example of a report filed by one 2006 grant recipient is included as Attachment C. The Illinois Department of Commerce and Community Affairs must also annually report on the outcomes of its efforts to recoup funds from recipients that do not meet the goals specified in their contract agreements. The 2007 Annual Report of Recaptures Provision by Program is included as Attachment D.